

**STATE OF NEW MEXICO
TOURISM DEPARTMENT
Santa Fe, New Mexico**

**FINANCIAL STATEMENTS
June 30, 2014**

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**STATE OF NEW MEXICO TOURISM DEPARTMENT
OFFICIAL ROSTER
June 30, 2014**

Monique Jacobson, Cabinet Secretary

Richard Pickering, Director, Administrative Services

Isabel Duran, ASD Deputy Director



CliftonLarsonAllen

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Independent Auditors' Report

Ms. Monique Jacobson, Cabinet Secretary
State of New Mexico Tourism Department and
Mr. Hector H. Balderas
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the budgetary comparisons for the general fund and major special revenue funds of State of New Mexico Tourism Department (the Department) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements as listed in the table of contents. We also have audited the budgetary comparisons for the major enterprise funds, presented as supplemental information, as defined by the Government Accounting Standards Board, as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Department as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, respective budgetary comparisons for the major enterprise funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2, the financial statements of the Department are intended to present the financial position and changes in financial position of only that portion of the governmental activities, each major fund, the aggregate remaining fund information and all respective budgetary comparisons of the State of New Mexico that is attributable to the transactions of the Department. They do not purport to, and do not present fairly the financial position of the entire State of New Mexico as of June 30, 2014, and the changes in the financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

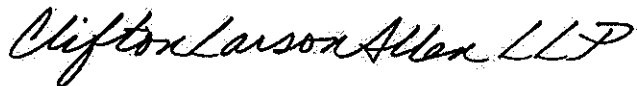
Our audit was conducted for the purpose of forming opinions on the Department's financial statements and the budgetary comparisons. The Schedule of Joint Power Agreements is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Schedule of Joint Power Agreements is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Joint Power Agreements is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2014 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP



Albuquerque, New Mexico
December 12, 2014

**STATE OF NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

The State of New Mexico Tourism Department's (the Department) Management Discussion and Analysis (MD&A) is designed to assist the reader in focusing on significant financial issues, provide an overview of the Department's financial activity, identify changes in the Department's financial position (ability to address future year challenges), identify any material deviations from the financial plan and identify any fund issues of concern.

The MD&A is designed to focus on the past year's activities, resulting changes and currently known facts; please read it in conjunction with the Independent Auditors' Report at the front of this report and the Department's financial statements and notes which follow this section.

Overview of the Financial Statements

This audit report consists of two parts: 1) management's discussion and analysis and 2) the basic financial statements.

The basic financial statements include two kinds of statements that provide different views of the Department. The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Department's overall financial status. The remaining statements are *fund financial statements* that focus on individual parts of the Department's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The MD&A should provide an objective and easily readable analysis of the government's financial activities, based on currently known facts, decisions or condition. It should provide an analysis of the government's overall financial position and results of operations to assist users in assessing whether the financial position has improved as a result of the year's activities. Additionally, it should provide an analysis of significant changes that occur in funds and significant budget variances.

Government-wide Financial Statements. The Statement of Net Position shows the Department's overall financial position as of June 30, 2014. This financial statement is comparable to the balance sheet in a private sector entity's set of financial statements. A Statement of Net Position differs from a balance sheet in several ways, but there is one main difference. The Department is a government agency and a trustee of public assets rather than a company with shareholders or owners. In a private sector balance sheet, the surplus (or deficit) of assets compared to liabilities is the owners' equity. In governmental financial statements, this excess is labeled net position.

The next government-wide statement is the Statement of Activities. This statement provides information about revenue and expenditure activity throughout the course of fiscal year 2014. The statement provides the net position at the beginning of the year and the balance at the end of the year. The difference between revenue and expenditure amounts provides for the change in net position.

The remaining financial statements report the Department's operations in greater detail than the government-wide statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Fund Financial Statements. The fund financial statements provide more detailed information about the Department's most significant funds. Funds are accounting devices that are used to keep track of specific sources of funding and spending for particular purposes.

The Department has two types of funds:

Governmental Funds. Most of the Department's services are included in governmental funds, which focus on (a) how cash and other financial assets that can be readily converted to cash flow in and out, and (b) the balances left at year-end that are available for spending. The governmental fund statements provide a detailed short-term view that help the user determine whether there are more or fewer financial resources that can be spent in the near future to finance the Department's programs. Since this information does not include the additional long-term focus of the government-wide statements, reconciliation between the government-wide statements and the fund financial statements is provided for governmental-type activities.

Proprietary Funds are used to report the Department's service activities that charge customers a fee. Like the government-wide financial statements, they report all assets (including capital assets), liabilities (short- and long-term), revenues, expenses, gains and losses. They report the services included in the business-type activities in the government-wide financial statements. The Department uses one kind of proprietary fund, Enterprise Funds, to account for services provided to external customers.

Financial Analysis of the Department as a Whole

Net Position: Total Department net position for fiscal year ending June 30, 2014 is \$1,217,879: \$868,594 in Governmental and \$349,285 in Business-type activities. The net position is restricted, mainly for special revenue funds. The unrestricted net position in Governmental Activities was \$(129,798) and in Business-type activities was \$349,285 at the end of the fiscal year.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

**Table A-1
The Department's Net Position**

Governmental

	<u>FY 2014</u>	<u>FY2013</u>	<u>Amount Change</u>	<u>Total % Change</u>
Assets:				
Current and other assets	\$ 3,076,913	\$ 2,321,658	\$ 755,255	32.53%
Capital assets, net	<u>81,266</u>	<u>80,210</u>	<u>1,056</u>	1%
Total assets	<u>\$ 3,158,179</u>	<u>\$ 2,401,868</u>	<u>\$ 756,311</u>	31%
Liabilities:				
Current liabilities	\$ 2,288,412	\$ 1,276,691	\$ 1,011,721	79%
Long-term liabilities	<u>1,173</u>	<u>1,068</u>	<u>105</u>	10%
Total liabilities	<u>2,289,585</u>	<u>1,277,759</u>	<u>1,011,826</u>	79%
Net position:				
Net investment in capital assets	81,266	80,210	1,056	1%
Restricted	917,126	1,171,543	(254,417)	-22%
Unrestricted deficit	<u>(129,798)</u>	<u>(127,644)</u>	<u>(2,154)</u>	2%
Total net position	<u>868,594</u>	<u>1,124,109</u>	<u>(255,515)</u>	-23%
Total liabilities and net position	<u>\$ 3,158,179</u>	<u>\$ 2,401,868</u>	<u>\$ 756,311</u>	31%

**STATE OF NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

**Table A-1
The Department's Net Position (continued)**

Business-type

	<u>FY 2014</u>	<u>FY2013</u>	<u>Amount Change</u>	<u>Total-% Change</u>
Assets:				
Current and other assets	\$ 1,632,592	\$ 1,736,396	\$ (103,804)	-6%
Total assets	<u>\$ 1,632,592</u>	<u>\$ 1,736,396</u>	<u>\$ (103,804)</u>	-6%
Liabilities:				
Current liabilities	\$ 1,049,838	\$ 1,027,731	\$ 22,107	2%
Long-term liabilities	<u>233,469</u>	<u>213,208</u>	<u>20,261</u>	10%
Total liabilities	<u>1,283,307</u>	<u>1,240,939</u>	<u>42,368</u>	3%
Net position:				
Unrestricted	<u>349,285</u>	<u>495,457</u>	<u>(146,172)</u>	-30%
Total net position	<u>349,285</u>	<u>495,457</u>	<u>(146,172)</u>	-30%
Total liabilities and net position	<u>\$ 1,632,592</u>	<u>\$ 1,736,396</u>	<u>\$ (103,804)</u>	-6%

The Department's total assets are comprised of \$81,266 in capital assets and \$4,709,505 in other assets, for a total asset balance of \$4,790,771. The overall increase in total assets from the previous fiscal year is \$652,507. Liabilities are also broken out into two segments: current liabilities and non-current liabilities. The total amount of current liabilities is \$3,338,250, an increase of 44.9% from the prior year balance of \$2,304,422. Non-current liabilities are limited to the amount of unexpired subscriptions related to New Mexico Magazine subscriptions and compensated absences; the revenue is recognized only when the magazine is published for a given month. Many subscriptions are paid in advance from one to three years and are not likely to be recognized within the next fiscal year. The amount of non-current liabilities is \$234,642 at June 30, 2014.

The Department's Activities: The table below summarizes the Department's activities for the fiscal years ending June 30, 2014 and 2013. Total change in net position from the previous fiscal year was a decrease of \$401,687.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

**Table A-2
Changes in the Department's Net Position**

Governmental

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Amount Change</u>	<u>Total % Change</u>
General revenues and transfers in	\$ 11,343,456	\$ 9,264,963	\$ 2,078,493	22%
Total revenue	11,343,456	9,264,963	2,078,493	22%
Expenses and transfers out	(11,598,971)	(9,238,975)	(2,359,996)	26%
Change in net position	(255,515)	25,988	(281,503)	-1083%
Net position, beginning	1,124,109	1,098,121	25,988	2%
Net position, ending	\$ 868,594	\$ 1,124,109	\$ (255,515)	-23%

Business-type

	<u>FY 2014</u>	<u>FY 2013</u>	<u>Amount Change</u>	<u>Total % Change</u>
Program revenues	\$ 2,950,371	\$ 3,083,258	\$ (132,887)	-4%
Total revenue	2,950,371	3,083,258	(132,887)	-4%
Expenses	(3,096,543)	(2,914,357)	(182,186)	6%
Change in net position	(146,172)	168,901	(315,073)	-187%
Net position, beginning	495,457	326,556	168,901	52%
Net position, ending	\$ 349,285	\$ 495,457	\$ (146,172)	-30%

**STATE OF NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Information on Individual Funds

The State of New Mexico Tourism Department is responsible for the management of five individual fund accounts. Fund 18800 is considered the Department's general fund. There are two other governmental funds that have operating budgets for specific uses. The Litter Control and Beautification Fund derives its funding from a special beautification fee of \$.50 per vehicle registration. The Scenic Byways Fund derives its funding from an additional fee of \$25 per motor vehicle registration for the sale of special Route 66 Commemorative Registration Plates. The two remaining funds are enterprise funds. The New Mexico Magazine Fund generates revenue from operations related to the sale, advertisements and promotion of the New Mexico Magazine. The Tourism Enterprise Fund accounts for the sale of promotional items at the visitor information centers. The table below lists the beginning and ending cash balances for each fund managed by the Department.

Fund Name	Fund Code	Balance, June 30, 2014	Balance, June 30, 2013	Total % Change
General Fund	18800	\$ 1,763,644	\$ 733,482	140%
Litter Control and Beautification Fund	26200	\$ 1,204,714	\$ 1,395,464	-14%
Scenic Byways Fund	03000	\$ -	\$ 23,845	-100%
New Mexico Magazine Fund	38200	\$ 1,267,533	\$ 1,401,442	-10%
Tourism Enterprise Fund	91900	\$ 58,510	\$ 32,625	79%

**STATE OF NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

The tables below list the total revenue (including other financing sources and uses) and expenditures for each fund managed by the Department.

Fund Name	Fund Code	Revenue		Total % Change
		Fiscal Year Ended	Fiscal Year Ended	
		June 30, 2014	June 30, 2013	
General Fund	18800	\$ 10,332,300	\$ 8,301,145	24%
Litter Control and Beautification Fund	26200	1,033,756	1,016,417	2%
Scenic Byways Fund	03000	800	6,900	-88%
New Mexico Magazine Fund	38200	2,913,274	3,048,591	-4%
Tourism Enterprise Fund	91900	37,097	34,667	7%
Total revenues		\$ 14,317,227	\$ 12,407,720	

Fund Name	Fund Code	Expenditures		Total % Change
		Fiscal Year Ended	Fiscal Year Ended	
		June 30, 2014	June 30, 2013	
General Fund	18800	\$ 10,352,860	\$ 8,331,545	24%
Litter Control and Beautification Fund	26200	1,243,368	996,985	25%
Scenic Byways Fund	03000	25,045	-	0%
New Mexico Magazine Fund	38200	3,089,793	2,897,303	7%
Tourism Enterprise Fund	91900	6,750	17,054	-60%
Total expenses		\$ 14,717,816	\$ 12,242,887	

**STATE OF NEW MEXICO TOURISM DEPARTMENT
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2014**

Budget Comparisons

The Department recorded several adjustments to the original budget amounts during the fiscal year. In total, the expenditures in the general fund were less than budget by \$21,822.

The Department has several funds that generate the majority of its revenues via dedicated, non-reverting funds; there is little incentive to spend all available funds to justify higher future budgets. Funds that remain unspent remain in the fund's cash balance. These funds then will be available for appropriation and expenditure in future fiscal years.

Capital Assets and Long-term Debt Activity

The net value of the Department's capital assets as of June 30, 2014 is \$81,266 for the governmental activities. Business-type capital assets were fully depreciated at June 30, 2014. For governmental activities and business-type activities, the Department made improvements to an existing asset during the year. The Department did not have any capital asset disposals during the year. The Department's enterprise funds had no additions or deletions during the year.

The Department had no long-term debt activity during fiscal year 2014. Long-term liabilities recorded for the Department consist of long-term, unexpired magazine subscriptions.

Anticipated Future Conditions and Changes

The Department was awarded \$10,308,900 in State General Fund appropriations for fiscal year 2014.

Contacting the Department's Financial Management

The Department's financial statements are designed to provide our constituents and stakeholders with a general overview of the Tourism Department's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, contact the Department's Administrative Services Division Director at Lamy Building, 491 Old Santa Fe Trail, Santa Fe, NM 87501.

STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF NET POSITION
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Investment in State General Fund Investment Pool	\$ 2,968,358	\$ 1,326,043	\$ 4,294,401
Due from other agencies	91,345	-	91,345
Receivables, net	185	106,467	106,652
Prepaid expenses	17,025	64,953	81,978
Inventories	-	135,129	135,129
	<u>3,076,913</u>	<u>1,632,592</u>	<u>4,709,505</u>
Total current assets			
Non-current:			
Capital assets	263,902	5,904	269,806
Less accumulated depreciation	(182,636)	(5,904)	(188,540)
	<u>81,266</u>	<u>-</u>	<u>81,266</u>
Total non-current assets			
TOTAL ASSETS	<u>\$ 3,158,179</u>	<u>\$ 1,632,592</u>	<u>\$ 4,790,771</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 2,090,321	\$ 131,947	\$ 2,222,268
Accrued payroll and related liabilities	27,082	62,409	89,491
Due to State General Fund	42,384	-	42,384
Unearned revenue	-	25,750	25,750
Compensated absences	128,625	15,736	144,361
Unexpired subscriptions	-	813,996	813,996
	<u>2,288,412</u>	<u>1,049,838</u>	<u>3,338,250</u>
Total current liabilities			
Long-term liabilities:			
Compensated absences	1,173	-	1,173
Unexpired subscriptions, long-term	-	233,469	233,469
	<u>2,289,585</u>	<u>1,283,307</u>	<u>3,572,892</u>
Total liabilities			
NET POSITION			
Net investment in capital assets	81,266	-	81,266
Restricted	917,126	-	917,126
Unrestricted (deficit)	(129,798)	349,285	219,487
	<u>868,594</u>	<u>349,285</u>	<u>1,217,879</u>
Total net position			
TOTAL LIABILITIES AND NET POSITION	<u>\$ 3,158,179</u>	<u>\$ 1,632,592</u>	<u>\$ 4,790,771</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for Services</u>
GOVERNMENTAL ACTIVITIES		
Tourism	\$ 11,554,942	\$ -
Total governmental activities	<u>11,554,942</u>	<u>-</u>
BUSINESS-TYPE ACTIVITIES		
Publishing	<u>3,096,543</u>	<u>2,950,371</u>
Total business-type activities	<u>3,096,543</u>	<u>2,950,371</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 14,651,485</u>	<u>\$ 2,950,371</u>

**Net (Expense) Revenue and
Changes in Net Position**

	Governmental Activities	Business-type Activities	Total
	\$ (11,554,942)	\$ -	\$ (11,554,942)
	<u>(11,554,942)</u>	<u>-</u>	<u>(11,554,942)</u>
	<u>-</u>	<u>(146,172)</u>	<u>(146,172)</u>
	<u>-</u>	<u>(146,172)</u>	<u>(146,172)</u>
	<u>(11,554,942)</u>	<u>(146,172)</u>	<u>(11,701,114)</u>
General revenues:			
Beautification fee	800	-	800
Other registration fees	1,032,678	-	1,032,678
Miscellaneous	1,078	-	1,078
Transfers:			
Reversion to the State General Fund FY14	(42,384)	-	(42,384)
State general fund appropriation	10,308,900	-	10,308,900
Other State agency transfers, net	<u>(1,645)</u>	<u>-</u>	<u>(1,645)</u>
Total general revenues and transfers	<u>11,299,427</u>	<u>-</u>	<u>11,299,427</u>
Change in net position	(255,515)	(146,172)	(401,687)
Net position, beginning of year	<u>1,124,109</u>	<u>495,457</u>	<u>1,619,566</u>
Net position, end of year	<u>\$ 868,594</u>	<u>\$ 349,285</u>	<u>\$ 1,217,879</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO TOURISM DEPARTMENT
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2014

	<u>Major Funds</u>			<u>Total Governmental Funds</u>
	<u>General Fund 18800</u>	<u>Litter Control and Beautification Fund 26200</u>	<u>Scenic Byways Fund 03000</u>	
ASSETS				
Investment in State General Fund				
Investment Pool	\$ 1,763,644	\$ 1,204,714	\$ -	\$ 2,968,358
Due from other agencies	-	91,345	-	91,345
Other receivables	185	-	-	185
Prepaid items	<u>17,025</u>	<u>-</u>	<u>-</u>	<u>17,025</u>
TOTAL ASSETS	<u>\$ 1,780,854</u>	<u>\$ 1,296,059</u>	<u>\$ -</u>	<u>\$ 3,076,913</u>
LIABILITIES				
Accounts payable	\$ 1,700,542	\$ 389,779	\$ -	\$ 2,090,321
Accrued payroll and related liabilities	20,903	6,179	-	27,082
Due to State General Fund	<u>42,384</u>	<u>-</u>	<u>-</u>	<u>42,384</u>
Total liabilities	<u>1,763,829</u>	<u>395,958</u>	<u>-</u>	<u>2,159,787</u>
FUND BALANCES				
Nonspendable:				
Prepaid items	17,025	-	-	17,025
Restricted	<u>-</u>	<u>900,101</u>	<u>-</u>	<u>900,101</u>
Total fund balances	<u>17,025</u>	<u>900,101</u>	<u>-</u>	<u>917,126</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,780,854</u>	<u>\$ 1,296,059</u>	<u>\$ -</u>	<u>\$ 3,076,913</u>

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2014**

Total Fund Balance - Governmental Funds (Governmental Fund Balance Sheet)	\$	917,126
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

The cost of capital assets is:		263,902
Accumulated depreciation is:		<u>(182,636)</u>

Total capital assets		<u>81,266</u>
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Long-term and certain other liabilities, such as compensated absences, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		<u>(129,798)</u>
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Net position of governmental activities (Statement of Net Position)	\$	<u>868,594</u>
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The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
Year Ended June 30, 2014**

	Major Funds			Total Governmental Funds
	General Fund 18800	Litter Control and Beautification Fund 26200	Scenic Byways Fund 03000	
REVENUES				
Beautification fee	\$ -	\$ -	\$ 800	\$ 800
Other registration fees	-	1,032,678	-	1,032,678
Miscellaneous	-	1,078	-	1,078
Total revenues	-	1,033,756	800	1,034,556
EXPENDITURES				
Tourism	10,287,615	1,243,368	-	11,530,983
Capital outlay	22,861	-	-	22,861
Total expenditures	10,310,476	1,243,368	-	11,553,844
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(10,310,476)	(209,612)	800	(10,519,288)
OTHER FINANCING SOURCES (USES)				
State General Fund appropriations	10,308,900	-	-	10,308,900
Special appropriations	-	-	-	-
Intra-agency transfers, net	-	-	-	-
Other State agency transfers, net	23,400	-	(25,045)	(1,645)
Reversion to State General Fund 2014 fiscal year	(42,384)	-	-	(42,384)
Total other financing sources (uses)	10,289,916	-	(25,045)	10,264,871
NET CHANGE IN FUND BALANCE	(20,560)	(209,612)	(24,245)	(254,417)
FUND BALANCES, BEGINNING OF YEAR	37,585	1,109,713	24,245	1,171,543
FUND BALANCES, END OF YEAR	\$ 17,025	\$ 900,101	\$ -	\$ 917,126

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2014**

**Net Changes in Fund Balances - Total Governmental Funds
(Statement of Revenues, Expenditures, and Changes in
Fund Balances)** **\$ (254,417)**

Amounts reported for governmental activities in the Statement of
Activities are different because:

In the Statement of Activities, certain operating expenses - compensated
absences (sick and annual leave) are measured by the amounts earned
during the year. In the Governmental Funds, however, expenditures
for these items are measured by the amounts of financial resources used
(essentially, the amounts actually paid). The increase in the liabilities for
the fiscal year was: (2,154)

Governmental Funds report capital outlays as expenditures. However,
in the Statement of Activities, the cost of those assets is allocated over
their estimated useful lives and reported as depreciation expense.
In the current period, these amounts were:

Capital outlay	22,861
Depreciation expense	<u>(21,805)</u>
 Excess of capital outlay over depreciation expense	 <u>1,056</u>

**Change in net position of governmental activities
(Statement of Activities)** **\$ (255,515)**

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES -
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
(BUDGETARY BASIS)
Year Ended June 30, 2014**

	GENERAL FUND (18800)			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State General Fund appropriations	\$ 10,308,900	\$ 10,308,900	\$ 10,308,900	\$ -
Other financing sources	23,400	23,400	23,400	-
Total revenues	10,332,300	10,332,300	10,332,300	-
EXPENDITURES				
Personnel services/benefits	2,833,200	2,739,700	2,726,054	13,646
Contractual services	489,200	626,225	625,652	573
Other	7,009,900	6,966,375	6,958,770	7,605
Total expenditures	10,332,300	10,332,300	10,310,476	21,824
EXCESS OF REVENUES OVER EXPENDITURES AND OTHER FINANCING SOURCES				
	\$ -	\$ -	21,824	\$ 21,824
NON-BUDGETED RECONCILING ITEMS				
Reversions to State General Fund			(42,384)	
NET CHANGE IN FUND BALANCE			\$ (20,560)	

STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES -
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
(BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2014

	<u>LITTER CONTROL & BEAUTIFICATION FUND (26200)</u>			
	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance From</u> <u>Final Budget</u> <u>Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other registration fees	\$ 1,029,600	\$ 1,029,600	\$ 1,032,678	\$ 3,078
Miscellaneous	-	-	1,078	1,078
Budgeted fund balance	-	364,400	-	(364,400)
Total revenues	1,029,600	1,394,000	1,033,756	(360,244)
EXPENDITURES				
Personnel services/benefits	149,200	149,200	112,718	36,482
Contractual services	151,500	254,500	251,832	2,668
Other	728,900	990,300	878,818	111,482
Total expenditures	1,029,600	1,394,000	1,243,368	150,632
DEFICIENCY OF REVENUES				
UNDER EXPENDITURES	\$ -	\$ -	(209,612)	\$ (209,612)
NET CHANGE IN FUND BALANCE			\$ (209,612)	

STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES -
MAJOR GOVERNMENTAL FUNDS - BUDGET AND ACTUAL
(BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2014

	<u>SCENIC BYWAYS FUND (03000)</u>			
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES	-	-	-	-
Total expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES)				
Other financing sources	-	-	800	800
Transfers out to other state agencies	-	-	(25,045)	(25,045)
Total other financing sources (uses)	-	-	(24,245)	(24,245)
DEFICIENCY OF REVENUES UNDER EXPENDITURES AND OTHER FINANCING SOURCES	<u>\$ -</u>	<u>\$ -</u>	<u>(24,245)</u>	<u>\$ (24,245)</u>
NET CHANGE IN FUND BALANCE			<u>\$ (24,245)</u>	

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2014

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>New Mexico</u>	<u>Tourism</u>	
	<u>Magazine (38200)</u>	<u>Enterprise (91900)</u>	
ASSETS			
Current:			
Investment in State General Fund Investment Pool	\$ 1,267,533	\$ 58,510	\$ 1,326,043
Accounts Receivable, net	103,977	2,490	106,467
Inventories	123,736	11,393	135,129
Prepaid postage	64,953	-	64,953
Total current assets	1,560,199	72,393	1,632,592
Non-current:			
Capital assets	5,904	-	5,904
Less accumulated depreciation	(5,904)	-	(5,904)
Total non-current assets	-	-	-
TOTAL ASSETS	\$ 1,560,199	\$ 72,393	\$ 1,632,592
LIABILITIES			
Current:			
Accounts payable	\$ 131,896	\$ 51	\$ 131,947
Accrued payroll and related liabilities	62,409	-	62,409
Deferred revenue	25,750	-	25,750
Unexpired subscriptions, current	813,996	-	813,996
Compensated absences, current	15,736	-	15,736
Total current liabilities	1,049,787	51	1,049,838
Non-current:			
Unexpired subscriptions, long-term	233,469	-	233,469
Total non-current liabilities	233,469	-	233,469
TOTAL LIABILITIES	1,283,256	51	1,283,307
NET POSITION			
Unrestricted	276,943	72,342	349,285
Total net position	276,943	72,342	349,285
TOTAL LIABILITIES AND NET POSITION	\$ 1,560,199	\$ 72,393	\$ 1,632,592

The accompanying notes are an integral part of the financial statements.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION - PROPRIETARY FUNDS
Year Ended June 30, 2014**

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>New Mexico Magazine (38200)</u>	<u>Tourism Enterprise (91900)</u>	
OPERATING REVENUES			
Charges for services:			
New Mexico Magazine	\$ 2,903,066	\$ -	\$ 2,903,066
By-product sales	-	9,658	9,658
Miscellaneous	10,208	27,439	37,647
Total operating revenues	2,913,274	37,097	2,950,371
OPERATING EXPENSES			
Personal services	802,355	-	802,355
Contractual services	796,178	-	796,178
Other costs	1,491,260	6,750	1,498,010
Total operating expenses	3,089,793	6,750	3,096,543
OPERATING INCOME (LOSS)	(176,519)	30,347	(146,172)
CHANGE IN NET POSITION	(176,519)	30,347	(146,172)
TOTAL NET POSITION, BEGINNING	453,462	41,995	495,457
TOTAL NET POSITION, ENDING	\$ 276,943	\$ 72,342	\$ 349,285

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2014

	<u>Business-Type Activities</u>		<u>Total</u>
	<u>New Mexico Magazine (38200)</u>	<u>Tourism Enterprise (91900)</u>	
CASH FLOWS FROM (USED BY)			
OPERATING ACTIVITIES			
Receipts from customers	\$ 2,923,075	\$ 34,607	\$ 2,957,682
Payments to suppliers	(2,273,942)	(8,722)	(2,282,664)
Payments to employees	(783,042)	-	(783,042)
Net cash from operating activities	<u>(133,909)</u>	<u>25,885</u>	<u>(108,024)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(133,909)	25,885	(108,024)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>1,401,442</u>	<u>32,625</u>	<u>1,434,067</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 1,267,533</u>	<u>\$ 58,510</u>	<u>\$ 1,326,043</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ (176,519)	\$ 30,347	\$ (146,172)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
Receivables, net	(432)	(2,490)	(2,922)
Inventories	(6,426)	(1,954)	(8,380)
Prepaid expenses	51,302	-	51,302
Accounts and other payables	(11,744)	(18)	(11,762)
Deferred revenue	10,233	-	10,233
Accrued payroll and compensated absences	19,313	-	19,313
Unexpired subscriptions	24,593	-	24,593
Due to other funds	(44,229)	-	(44,229)
NET CASH FROM OPERATING ACTIVITIES	<u>\$ (133,909)</u>	<u>\$ 25,885</u>	<u>\$ (108,024)</u>

The accompanying notes are an integral part of the financial statements.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – DEFINITION OF REPORTING ENTITY

The Tourism Department (the Department) was established by the Tourism Department Act, effective July 1, 1991, in the Laws of 1991, Senate Bill 228 enacted by the legislature of the State of New Mexico. The purposes of the Department are as follows:

- o To provide a coordinated, statewide perspective with regard to tourism activities;
- o To provide a database for local and regional tourism groups and serve as a comprehensive source of information and assistance to tourism-related businesses wishing to locate, expand or do business in New Mexico;
- o To monitor the progress of state-supported tourism activities and prepare annual reports of such activities, their status and their impact;
- o To add to and coordinate existing litter control and removal efforts. NMSA Chapter 67, Article 16, created the Litter Control & Beautification Fund as part of the Litter Control and Beautification Act. On April 3, 2001, Governor Gary Johnson signed House Bill 338; which transferred the Litter Control and Beautification funding and coordination efforts from the New Mexico State Highway and Transportation Department to the New Mexico Tourism Department; and

The Department consists of (but is not limited to) the following programs:

- o Marketing & Promotion Program
- o Tourism Enterprise
- o Tourism Development Program
- o Program Support Program
- o New Mexico Magazine Program
- o Sports Authority

NMSA 9-15A-8. Tourism Commission created: membership, administratively attached to the Department

The chief executive and administrative officer of the Department is the Cabinet Secretary, who is appointed by the governor with the consent of the senate, serves in the executive cabinet, and holds office at the pleasure of the governor. The secretary appoints the directors of the programs.

- A. The "tourism commission" is created. The commission shall be a planning commission administratively attached to the Department. The commission shall provide advice to the Department on policy matters. The commission shall be responsible for the annual approval and update of the state's five-year tourism plan. The commission shall consist of seven members who shall be qualified electors of the state of New Mexico, no more than four of whom, at the time of their appointment, shall be members of the same political party and at least one of whom shall be a Native American. Members shall be appointed by the governor and confirmed by the senate. Two members shall be appointed from each of the three congressional districts. One member shall be appointed from the state at large.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1 – DEFINITION OF REPORTING ENTITY (CONTINUED)

- B. Appointments shall be made for seven-year terms expiring on January 1 of the appropriate year. Commission members shall serve staggered terms as determined by the governor at the time of their initial appointment annually. The governor shall designate a chairman of the commission from among the members.
- C. The commission shall meet at the call of the chairman, not less than once each quarter, and shall invite representatives of appropriate legislative committees, other state agencies and interested persons to its meetings for the purpose of information exchange and coordination.
- D. Commission members shall not vote by proxy. A majority of the members constitutes a quorum for the conduct of business.
- E. Members of the commission shall not be removed except for incompetence, neglect of duty or malfeasance in office. Provided, however, no removal shall be made without notice of hearing and an opportunity to be heard having first been given the member being removed. The senate shall be given exclusive original jurisdiction over proceedings to remove members of the commission under such rules as it may promulgate. The senate's decision in connection with such matters shall be final. A vacancy in the membership of the commission occurring other than by expiration of term shall be filled in the same manner as the original appointment, but for the unexpired term only.
- F. Commission members shall not be paid, but shall receive per diem and mileage as provided in the Per Diem and Mileage Act [10-8-1 to 10-8-8 NMSA 1978].

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements for the Department have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Reporting Entity

The financial reporting entity as defined by GASB Statement 14 (amended by GASB 39 and 61) consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. This definition of the reporting entity is based primarily on the notion of financial accountability as the "cornerstone of all financial reporting in government". The primary government is any state government or general-purpose local government consisting of all the organizations that make up its legal entity. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are, for financial reporting purposes, part of the primary government. The Department, therefore, is part of the primary government of the State of New Mexico and its financial data should be included with the financial data of the State.

The Department is a "department" of the State of New Mexico and will be included in any statewide Comprehensive Annual Financial Report. In accordance with the criteria set forth in GASB 14 (amended by GASB 39) for determining component units, the Department does not have any component units.

Government-wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the Department as a whole) and fund financial statements. The reporting model focus is on either the Department as a whole, or major individual funds (within the fund financial statements). In the government-wide Statement of Net Position, both the governmental and business-type activities columns are presented on a consolidated basis by column, and are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net costs that are being supported by general government revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. The Department reports two functions in the government-wide financial statements: the governmental activities (Tourism) and business-type activities (Publishing). Program revenues consist of the following:

- o Governmental activities – Tourism activities
- o Proprietary activities – Advertising, subscriptions and merchandise sales

The net cost (by function or business-type activity) is normally covered by general revenues (taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The Department does not currently employ indirect cost allocation systems.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

This government-wide focus is more on the sustainability of the Department as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are similar to the financial statements presented in the previous accounting model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

The governmental fund statements are presented on a current financial resource and modified accrual basis of accounting. This presentation is deemed appropriate to (a) demonstrate legal compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the Department's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund-based financial statements into the governmental column on the governmental-wide presentation.

The Department does not have any fiduciary funds or component units that are fiduciary in nature. By definition, assets in a fiduciary fund are held for the benefit of a third party and cannot be used to address activities or obligations of the government. These funds would not be incorporated into the government-wide statements.

The financial transactions of the Department are maintained on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, expenditures or expenses and other financing sources or uses. Government resources are allocated to, and accounted for, in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are summarized by type in the accompanying financial statements. The various funds are reported by generic classification within the financial statements. GASB No. 34 sets forth minimum criteria for the determination of major funds based on a percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or governmental and enterprise combined.

Basis of Presentation – Fund Accounting

The Department uses the following fund types:

Governmental Funds – The focus of governmental funds; measurement (in fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income.

General Fund - The General Fund (SHARE Fund 18800) is the general operating fund of the Department and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund is reverting per the Tourism Department Act. (Major fund)

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Special Revenue Funds -

Litter Control & Beautification Fund (SHARE Fund 26200) is used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Litter Control & Beautification Fund was created by Section 67-16-1 NMSA 1978 to accomplish litter control by eliminating litter from the state. The program shall establish a statewide "Keep America Beautiful" program. The program awards grants to cities and counties to develop statewide litter and solid waste reduction programs and awards grants to local governments to establish summer youth employment programs to aid in litter control and beautification projects. The program also conducts a public awareness and media campaign. Financing is provided from a special beautification fee of \$.50 per vehicle registration. Non-reverting fund. (Major Fund)

Scenic Byways Programs (SHARE Fund 03000) is used to develop a statewide byway Marketing and Promotion Plan (MPP). The MPP will define the marketing goals, objectives, strategies and action plans, including the development of promotional themes for New Mexico's scenic byways. The designation of the scenic byways as special revenue funds is by federal mandate. Non-reverting fund. (Major Fund)

The governmental-type funds identified below did not have budget authority for the fiscal year nor did they have any financial activity or balances. Because of this, they have not been included for presentation in the financial statements.

SHARE Fund No.	Description
89000	ARRA Fund
82300	Capital Projects Fund

Proprietary Funds – The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The funds are reflected on a full accrual, economic resources basis, which incorporates long-term assets and receivables as well as long-term debt and obligations. The following is a description of the proprietary funds of the Department:

Enterprise Funds - Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services. The enterprise funds in use by the Department are as follows:

New Mexico Magazine (SHARE Fund 38200) – To account for the resources and uses required to publish and distribute the New Mexico Magazine. This fund is non-reverting. (Major Fund)

Tourism Enterprise (SHARE Fund 91900) – To account for the sale of promotional items at visitor centers. This fund is non-reverting. (Major Fund)

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

Basis of accounting refers to the point at which revenues or expenditure/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied. Expenditures are paid out of unrestricted funds unless specifically designated for restricted funds.

The Government-wide Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to Governmental Accounting Standards Board Statement No. 33 (GASB 33), *Accounting and Financial Reporting for Nonexchange Transactions*, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Accrual

Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available). "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, normally within 60 days of year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB No. 33 (as it relates to non-exchange and exchange transactions), the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met, under most circumstances, should be reported as advances by the provider and deferred revenue by the recipient.

Budgets and Budgetary Accounting

The State Legislature makes annual appropriations to the Department's General Fund. Legal compliance is monitored through the establishment of a budget and a financial control system that permits a budget to actual expenditure comparison.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expenditures by category may not legally exceed appropriations. Budgeted line-item classifications may be amended upon approval from the State Budget Division. The basis of accounting for the budget, as appropriated by the State Legislature and approved by the State Budget Division, differs from the basis of accounting required by GAAP.

Per the General Appropriation Act, Laws of 2012, Chapter 19, Section 3, item M, "For the purpose of administering the General Appropriation Act of 2012 and approving operation budgets, the state of New Mexico shall follow the modified accrual basis of accounting for governmental funds in accordance with the manual of model accounting practices issued by the department of finance and administration." The budget is adopted on the modified accrual basis of accounting except for accounts payable accrued at the end of the fiscal year that do not get paid by statutory deadline per Section 6-10-4 NMSA 1978. Those accounts payable that do not get paid timely must be paid out of the next year's budget. Encumbrances related to single year appropriations lapse at the year end. Appropriation periods are sometimes for periods in excess of twelve months (multiple-year appropriations). When multiple-year appropriation periods lapse, the authority for the budget also lapses and encumbrances can no longer be charged to that budget. The legal level of budgetary control should be disclosed. There are no encumbrances outstanding at year-end.

The Department follows these procedures in establishing the budgetary data reflected in the financial statements:

- o No later than September 1, the Department submits to the Legislative Finance Committee (LFC), and the Budget Division of the Department of Finance and Administration (DFA), an appropriation request for the fiscal year commencing the following July 1. The appropriation request includes proposed expenditures and the means of financing them.
- o Budget hearings are scheduled before the New Mexico House Appropriations and Senate Finance Committees. The final outcome of those hearings is incorporated into the State's General Appropriation Act.
- o The Act is signed into Law by the Governor of the State of New Mexico within the legally prescribed time limit, at which time the approved budget becomes a legally binding document.
- o Not later than May 1, the Department submits to DFA an annual operating budget by appropriation unit and account based upon the appropriation made by the Legislature. The DFA-Budget Division reviews and approves the operating budget, which becomes effective on July 1.
- o Formal budgetary integration is employed as a management control device during the fiscal year for the General and Special Revenue funds.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

The Department has defined cash and cash equivalents to include investments with the State Treasurer General Fund Investment Pool, cash on hand and demand deposits. All cash is monitored by the State Treasurer. See Note 4 for additional investment disclosure.

Accounts Receivable

Accounts receivable are due from advertisers and subscribers to the New Mexico Magazine and are recorded in the enterprise fund for New Mexico Magazine. New Mexico Statute does not allow state agencies to write off bad debt and, as a result, much of the balance in accounts receivable is old and deemed uncollectible. Management estimates an allowance for doubtful accounts based on a percentage of outstanding accounts receivable, based on management's estimate of the collectability.

Capital Assets

Capital Assets consist of acquired assets with an original cost of \$5,000 or more and an estimated useful life greater than one year per Section 12-6-10 NMSA 1978. The Department records assets (such as furniture and fixtures, equipment and data processing equipment including software) purchased at cost or, if contributed, at fair market value at date of donation. The Department is capitalizing and depreciating computer software developed for internal use. Repairs and maintenance expenses are charged to operations when incurred and major improvements and replacements are capitalized.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Furniture & Fixtures	10 years
Equipment & Machinery	10 years
Vehicles	5 years
Data Processing & Software	3 – 5 years

Unearned Revenue and Unexpired Subscriptions

The New Mexico Magazine enterprise fund records unearned revenue relating to advertising that has been collected from their customers, but the magazine(s) in which the advertising will take place has (have) not been issued yet.

The New Mexico Magazine enterprise fund also records unexpired subscriptions because subscribers pay for between one and three years up front. The revenue is recorded as earned and any money received for magazines that have not been issued yet is recorded as unexpired subscriptions. The amount that will be earning in the next year is recorded as current and the remainder is recorded as long term.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Due To/From Other Funds

Internal balances due to/from in the governmental funds are netted as part of the reconciliation to the government-wide columnar presentation, as such eliminating internal activity in the Statement of Activities. There were no inter-fund balances at June 30, 2014.

Due to State General Fund (Reversions)

Reversions to the State General Fund by the Department are based on the definitions of both reverting and non-reverting funds. Reversions are calculated by applying the percentage of reverting fund (to total budget for the category) to the amount unexpended for the category at fiscal year-end.

Reverting Funds

Reverting funds are all funds that are not identified by law as non-reverting. Examples of such reverting funds currently generated by the Department are miscellaneous revenues, sales and services revenues, and telephone monitoring revenues. Revenues for Joint Power Agreements (JPA) are reimbursements for actual costs, and as such, are a receivable due to the Department. Any amounts collected for these revenues over estimated budget are revertible funds, since they would be replacing reverting general funds that were temporarily used to support such activities. Reversions for JPA revenues are dependent on two criteria: 1) Period of receipt (current year versus prior year), and 2) Period of accrual (revenue recognition).

Non-Reverting Funds

All funds which are either appropriated to or earned by the Department, and by law or statute, are not required to be reverted to the state treasury upon completion of a fiscal period or project are non-reverting funds.

Governmental Fund Balances

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes where constraints placed on the resources are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Legislative and Executive branches of the State.

Assigned – Amounts that are constrained by the Legislature's and Executive Branch's intent to be used for specific purposes or, in some cases, by legislation.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unassigned – All amounts not included in other spendable classifications.

As of June 30, 2014, the following funds had a fund balance: the General Fund (18800) had a nonspendable fund balance of \$17,025 relating to prepaid expenses; the Litter Control and Beautification Fund (26200) had a fund balance of \$900,101, all of which was restricted for the statewide Tourism Development Program.

Compensated Absences

Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of 80 to 160 hours per year, depending upon length of service and employee's hire date. A maximum of 30 working days (240 hours) or such accumulated annual leave may be carried forward into the beginning of the calendar year and any excess leave is lost.

When employees terminate, they are compensated for accumulated unpaid annual leave as of the date of termination, up to a maximum of 240 hours. Accumulated annual leave is not expected to be liquidated with expendable available financial resources and is reported in the general long-term debt group.

Qualified employees are entitled to accumulate sick leave at the rate of one day for each calendar month of service. There is no limit to the amount of sick leave that an employee may accumulate. Once per fiscal year in either January or July, employees may elect to be paid up to 50% of accrued sick leave in excess of 600 up to 720 hours, but not to exceed 120 hours (net 60 hours can be paid). In the case of retiring employees, up to 200 net hours in excess of the 600 hour minimum limit can be paid. All sick leave balances from 600 to 720 hours have been recorded at 50% of the employee's current hourly rate in the general long-term debt account group, including those amounts paid in July because no expendable financial resources are available as of the balance sheet date to liquidate the liability.

Amounts of accumulated leave for governmental funds are not expected to be liquidated with expendable available financial resources and as such are recorded in the government-wide financial statements and represent a reconciling item between the fund and government-wide presentations. Accumulated leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Revenues

Substantially all governmental fund revenues are accrued. Subsidies and grants to proprietary funds, if any, which finance either capital or current operations are reported as non-operating revenue based on GASB No. 33. In applying GASB No. 33 to grant revenues, the provider recognizes liabilities and expenses and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital projects funded through the State Board of Finance (Severance Tax Bond proceeds) are reported as receivable and recognized as revenues only when all applicable eligibility requirements of the State Board of Finance are met. There were no bond proceeds appropriated to the Department for the 2014 fiscal year.

The operating revenues and expenses of the proprietary funds are those transactions that constitute the funds' principal ongoing operations.

Segment Information

Governments that report enterprise funds or that use enterprise fund accounting to report their activities are required to report on activities that have a specific identifiable revenue stream pledged in support of revenue bonds or other revenue-backed debt outstanding during the year.

The enterprise fund of the Department has no revenue bonds or other revenue-backed instruments issued or outstanding and, therefore, no segment information is presented.

Program Revenues

Program revenues are revenues that (1) originate from the program or from parties other than the government's taxpayers or citizens as a whole, and (2) reduce the expenses of the function that has to be financed by general revenues. Revenues of this type can originate from a governmental source, but the proceeds are a charge for services or products produced by a government agency, where that agency is considered a vendor within the market place. Additionally, program revenues are fees charged by the government agency that are used to support a specific operation of that governmental unit.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Department did not have any items that qualified for reporting in this category as of June 30, 2014.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Department did not have any items that were required to be reported in this category as of June 30, 2014.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The government-wide statements utilize a net position presentation categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - For the government-wide statement of net position, net position is reported as restricted when constraints placed on net position used are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net position of the Department not restricted for any project or other purpose.

The Department applies restricted resources first for payment of expenditures when both restricted and unrestricted net assets are available.

Subsequent Events

Management evaluated subsequent events through December 12, 2014, the date the financial statements were available to be issued. Events or transactions occurring after June 30, 2014, but prior to December 12, 2014, that provided additional evidence about conditions that existed at June 30, 2014 have been recognized in the financial statements for the year ended June 30, 2014. Events or transactions that provided evidence about conditions that did not exist at June 30, 2014, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the year ended June 30, 2014.

NOTE 3 - STATE GENERAL FUND INVESTMENT POOL

For cash management and investment purposes, funds of various state agencies are deposited in the State General Fund Investment Pool (the Pool), which is managed by the Office of the New Mexico State Treasurer. Claims on the Pool are reported as assets by the various agencies investing in the Pool.

In June 2012, an independent diagnostic report revealed that Pool balances had not been reconciled at a "business unit by fund" level since the inception of the Statewide Human Resources, Accounting, and Management Reporting System (SHARE) system in July 2006. This report, entitled "Current State Diagnostic of Cash Control," also described a difference between Pool bank balances and the corresponding general ledger balances and indicated that the effect of reconciling items was unknown. The report, dated June 20, 2012, is available on the website of the New Mexico Department of Finance & Administration at: http://www.nmdfa.state.nm.us/Cash_Control.aspx.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2014

NOTE 3 - STATE GENERAL FUND INVESTMENT POOL (CONTINUED)

By state statute, the New Mexico Department of Finance and Administration (DFA) is responsible for the performance of monthly reconciliations with the balances and accounts kept by the State Treasurer. Therefore, under the direction of the State Controller / Financial Control Division Director, the Financial Control Division (FCD) of DFA undertook action to address the situation. DFA/FCD initiated the Cash Management Remediation Project (Remediation Project) in partnership with the Office of the New Mexico State Treasurer, the New Mexico Department of Information Technology, and a contracted third party with expertise in the Enterprise System Software used by the State.

The Remediation Project objective was to design and implement changes necessary to ensure ongoing completion of timely, accurate and comprehensive reconciliation of the Pool. DFA has implemented or is in the process of implementing all the recommendations resulting for the Remediation Project and has made changes to the State's SHARE system configuration, cash accounting policies and procedures, business practices, and banking structure. This has enabled DFA to complete timely and accurate reconciliation of bank to book balances at the State and Business Unit level on a post-implementation basis; however, it did not resolve historical reconciling items. Additional changes recommended by the Project continue to be cascaded through DFA and state agencies to support the Business Unit by Fund accounting requirements.

A plan to address historical reconciling items is being assessed and a separate initiative will need to be undertaken to resolve the historical reconciling items. Management considers it unlikely that this separate initiative will be successful in allocating any of the historical reconciling items to the State entities invested in the Pool. As a result, any remaining differences post specific allocation to Pool participants will be reported in the State General Fund.

The Department has established its own internal reconciliation policies and procedures to mitigate the risk that our cash balances would be misstated as of June 30, 2014. The Department is confident that our reconciliation process ensures all incoming and outgoing cash transactions are properly identified and that they are timely and accurately recorded in the financial system.

NOTE 4 - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL

State law (Section 8-6-3 NMSA 1978) requires the Department's cash be managed by the New Mexico State Treasurer's Office. Accordingly, the investments of the Department consist of an interest in the State General Fund Investment Pool managed by the New Mexico State Treasurer's Office.

At June 30, 2014, the Department had the following invested in the State General Fund Investment Pool:

State General Fund Investment Pool	\$ 4,294,401
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Interest Rate Risk – The New Mexico State Treasurer's Office has an investment policy that limits investment maturities to five years or less on allowable investments. This policy is means

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

**NOTE 4 - INVESTMENT IN THE STATE GENERAL FUND INVESTMENT POOL
(CONTINUED)**

of managing exposure to fair value losses arising from increasing interest rates. This policy is reviewed and approved annually by the New Mexico State Board of Finance.

Credit risk – The New Mexico State Treasurer pools are not rated.

For additional GASB 40 disclosure information regarding cash held by the New Mexico State Treasurer, the reader should see the separate audit report for the New Mexico State Treasurer's Office for the fiscal year ended June 30, 2014.

NOTE 5 - ACCOUNTS RECEIVABLE

Business-type Activities

Accounts receivable at June 30, 2014 represents advertising revenue receivable and subscription revenue receivable of the New Mexico Magazine Enterprise Fund and other receivable of the Tourism Enterprise Fund, as follows:

	<u>Advertising Receivable</u>	<u>Subscription Receivable</u>	<u>Other Receivable</u>	<u>Total Receivable</u>
Total accounts receivable	\$ 1,246,074	\$ 33,371	\$ 2,490	\$ 1,281,935
Less allowances for uncollectible accounts	<u>1,170,290</u>	<u>5,178</u>	<u>-</u>	<u>1,175,468</u>
Accounts receivable, net	<u>\$ 75,784</u>	<u>\$ 28,193</u>	<u>\$ 2,490</u>	<u>\$ 106,467</u>

Management expects the entire balance of net accounts receivable to be collected within one year of the balance sheet date.

NOTE 6 - DUE FROM/TO OTHER STATE AGENCIES

Due from and due to other state agencies represent interagency receivables and payables arising from interagency transactions. There were no amounts due to other state agencies at June 30, 2014.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 6 - DUE FROM/TO OTHER STATE AGENCIES (CONTINUED)

Due from Other State Agencies

<u>Fund Name</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Due from Agency/Purpose</u>	<u>Fund No.</u>	<u>Amount</u>
Litter Control and Beautification	26200	\$ 90,995	Distributions for June TRD/MVD Distribution	39401	\$ 90,995
Litter Control and Beautification	26200	260	NMDGF - OHV Fees	10840	260
Litter Control and Beautification	26200	<u>90</u>	STD-Interest on deposits	80100	<u>90</u>
Total all funds		<u>\$ 91,345</u>	Total all funds		<u>\$ 91,345</u>

NOTE 7 - INVENTORIES

The Department has various inventories which are valued at the lower of cost or market. Cost is determined by the actual amount paid, or if not available, estimated using gross profit approach.

The inventory balance of \$135,129 in the Business-type Activities represents items for resale for New Mexico Magazine Fund and items for resale at various visitor information centers for the Tourism Enterprise Fund.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets for governmental activities follows:

<u>Governmental Activities</u>	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
Equipment & Machinery	\$ 31,266	\$ -	\$ -	\$ 31,266
Furniture & Fixtures	13,253	-	-	13,253
Data Processing & Software	36,074	-	-	36,074
Vehicles	<u>160,448</u>	<u>22,861</u>	<u>-</u>	<u>183,309</u>
Total capital assets	<u>241,041</u>	<u>22,861</u>	<u>-</u>	<u>263,902</u>
Less accumulated depreciation for:				
Equipment & Machinery	(11,112)	(3,127)	-	(14,239)
Furniture & Fixtures	(13,253)	-	-	(13,253)
Data Processing & Software	(36,074)	-	-	(36,074)
Vehicles	<u>(100,392)</u>	<u>(18,678)</u>	<u>-</u>	<u>(119,070)</u>
Total accumulated depreciation	<u>(160,831)</u>	<u>(21,805)</u>	<u>-</u>	<u>(182,636)</u>
Governmental activities capital assets, net	<u>\$ 80,210</u>	<u>\$ 1,056</u>	<u>\$ -</u>	<u>\$ 81,266</u>

**STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 8 – CAPITAL ASSETS (CONTINUED)

A summary of changes in capital assets for business-type activities follows:

<u>Business-type Activities</u>	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Equipment & Machinery	\$ 2,866	\$ -	\$ -	\$ 2,866
Furniture & Fixtures	1,401	-	-	1,401
Data Processing & Software	1,637	-	-	1,637
Other	-	-	-	-
	<u>5,904</u>	<u>-</u>	<u>-</u>	<u>5,904</u>
Total capital assets				
Less accumulated depreciation for:				
Equipment & Machinery	(2,866)	-	-	(2,866)
Furniture & Fixtures	(1,401)	-	-	(1,401)
Data Processing & Software	(1,637)	-	-	(1,637)
	<u>(5,904)</u>	<u>-</u>	<u>-</u>	<u>(5,904)</u>
Total accumulated depreciation				
Business-type activities capital assets, net	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The depreciation expense for the government activities was \$21,805. The Department did not have any debt related to capital assets as of June 30, 2014. In the Statement of Activities, depreciation expense is captured in the Tourism category under governmental activities. Business-type capital assets were fully depreciated prior to fiscal year 2014, which began July 1, 2013.

NOTE 9 - COMPENSATED ABSENCES

The following is a summary of changes in long-term liabilities for the year ended June 30, 2014:

Governmental Activities:

<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>	<u>Amounts Due Within One Year</u>
\$ 127,644	\$ 97,827	\$ (95,673)	\$ 129,798	\$ 128,624

**STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 9 - COMPENSATED ABSENCES (CONTINUED)

Business-type Activities:

Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
\$ 15,736	\$ 18,371	\$ (18,371)	\$ 15,736	\$ (15,736)

Compensated absences are liquidated within the fund in which the corresponding employee's compensation is expensed. Compensated absences have been liquidated from the General Fund (SHARE number 18800), approximately 74%; Litter Control & Beautification Fund (SHARE number 26200), approximately 3%; and NM Magazine Fund (SHARE number 38200), approximately 23%.

NOTE 10 - REVERSIONS

In accordance with statute Section 6-5-10(A) NMSA 1978, all unreserved, undesignated fund balances in reverting funds as of June 30 shall revert. A reversion of \$42,384 was recognized for fiscal year 2014. \$42,384 is payable at June 30, 2014 to the State General Fund. Reversions due to the State General Fund are due by September 30, 2014. This payable may be adjusted within 45 days of the release of this audit by the New Mexico Office of the State Auditor.

NOTE 11 - PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially all of the Department's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute 7.42% of their gross salary. The Department is required to contribute 16.59% of the gross covered salary. The contribution requirements of plan members and the Department are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Department's contributions to PERA for the fiscal years ending June 30, 2014, 2013 and 2012 were \$399,015, \$358,917 and \$356,337, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 12 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN

Plan Description

The Department contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contribution are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998 are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

**NOTE 12 - POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN
(CONTINUED)**

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Department's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$50,569, \$49,616 and \$48,625, respectively, which equal the required contributions for each year.

NOTE 13 - OPERATING LEASES

The Department leases vehicles, copiers and other machines. Leases are subject to future appropriations and as such are cancelable by the Department at the end of a fiscal year. The future minimum rental commitments as of June 30, 2014 are as follows:

Year ending June 30:

2015	\$ 42,042
2016	20,496
2017 and thereafter	<u>-</u>
Total	<u>\$ 62,538</u>

Lease expense under all long-term operating leases for the year ended June 30, 2014 was \$47,736.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 14 - OTHER FINANCING SOURCES (USES)

The following is a summary of other financing sources (uses) for the Tourism Department:

Transfers In from Other State Agencies – Governmental Funds

<u>Transfers to (Purpose)</u>	<u>Fund No.</u>	<u>Amount</u>	<u>Transfers from - Agency No.</u>	<u>Fund No.</u>	<u>Amount</u>
General Fund (General Appropriations	18800	\$ 10,308,900	Dept. of Finance and Administration - 34100	85300	\$ 10,308,900
FY14 Compensation Package	18800	<u>23,400</u>	Dept. of Finance and Administration - 34100	62000	<u>23,400</u>
Total		<u>\$10,332,300</u>	Total		<u>\$10,332,300</u>

The Tourism Department transferred \$25,045 from Fund 03000 Scenic Byways to New Mexico Taxation and Revenue Department 33300 Fund 82500 for the termination of the JPA Agreement between the agencies.

NOTE 15 - RISK MANAGEMENT

The Department obtains coverage through the Risk Management Division of the State of New Mexico General Services Department. This coverage includes public liability, property, workers compensation, surety bond unemployment compensation and group health insurance. These coverages are designed to satisfy the requirements of the State Tort Claims Act. The maximum limits provided by the Tort Claims Act are \$1,050,000 per occurrence.

The Department had no significant reductions in insurance coverage from coverage in the prior year. In the fiscal years ended June 30, 2014, 2013 and 2012, there were no settlements that exceeded insurance coverage.

NOTE 16 – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*. This Statement improves accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards governing accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the impact of this pronouncement on its financial statements. GASBS No. 68 will

STATE OF NEW MEXICO TOURISM DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 16 – SUBSEQUENT ACCOUNTING PRONOUNCEMENTS (CONTINUED).

require the Department to record its proportionate share of the unfunded pension plan liabilities in the New Mexico State Retirement System and other plans. Although the amount of the liability is unknown, it is presumed to be material.

In January 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the impact of this pronouncement on its financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combination* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement will be effective for the Department in fiscal year 2015. The Department is in the process of evaluating the impact (if any) of this pronouncement on its financial statements.

This information is an integral part of the accompanying financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES - ENTERPRISE FUNDS -
BUDGET AND ACTUAL (BUDGETARY BASIS)
Year Ended June 30, 2014

NEW MEXICO MAGAZINE (38200)				
	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance From Final Budget</u>
	<u>Original</u>	<u>Final</u>		<u>Positive (Negative)</u>
REVENUES				
Charges for services	\$ 3,405,100	\$ 3,405,100	\$ 2,913,274	\$ (491,826)
Total revenues	<u>3,405,100</u>	<u>3,405,100</u>	<u>2,913,274</u>	<u>(491,826)</u>
EXPENDITURES - current				
Personnel services/benefits	883,600	883,600	802,355	81,245
Contractual services	949,900	949,900	796,178	153,722
Other	<u>1,571,600</u>	<u>1,571,600</u>	<u>1,491,260</u>	<u>80,340</u>
Total expenditures	<u>3,405,100</u>	<u>3,405,100</u>	<u>3,089,793</u>	<u>315,307</u>
CHANGE IN NET POSITION	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (176,519)</u>	<u>\$ (176,519)</u>

STATE OF NEW MEXICO TOURISM DEPARTMENT
STATEMENT OF REVENUES AND EXPENDITURES - ENTERPRISE FUNDS -
BUDGET AND ACTUAL (BUDGETARY BASIS) (CONTINUED)
Year Ended June 30, 2014

	TOURISM ENTERPRISE (91900)			
	Budgeted Amounts		Actual Amounts	Variance From Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for services	\$ 30,000	\$ 30,000	\$ 37,097	\$ 7,097
Total revenues	30,000	30,000	37,097	7,097
EXPENDITURES - current				
Other	30,000	30,000	6,750	23,250
Total expenditures	30,000	30,000	6,750	23,250
CHANGE IN NET POSITION	\$ -	\$ -	\$ 30,347	\$ 30,347

**STATE OF NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF JOINT POWERS AGREEMENTS
Year Ended June 30, 2014**

The following is a list of Joint Powers Agreements the Department has entered into:

New Mexico Department of Cultural Affairs
Legal Counsel Services

New Mexico Department of Transportation
New Mexico Tourism Dept./Glenrio Rest Area/Visitor Center.
Payment responsibility for utilities services to operate the Glenrio Rest Area/Visitor Center.

New Mexico Department of Transportation
New Mexico Tourism Dept./Manuelito Rest Area/Visitor Center.
Payment responsibility for utilities services to operate the Manuelito Rest Area/Visitor Center.

City of Raton
New Mexico Tourism Dept./Raton Visitor Information Center
Define and clarify the responsibilities of the parties as tenants of the Center.

New Mexico State Personnel Office
Human Resource Management

Responsible Party	Dates of Agreement		Amount Applicable	Amount Contributed	Audit Responsibility
	Beginning	Ending			
NMTD	11/23/2011	indefinite	\$ -	\$ 18,000	NMTD
NMTD	12/18/2008	indefinite	\$ 12,500	\$ 12,500	NMTD
NMTD	12/18/2008	indefinite	\$ 12,500	\$ 12,500	NMTD
NMTD	12/9/2008	indefinite	\$ -	\$ -	NMTD
NMTD	7/1/2013	6/30/2014	\$ 52,500	\$ 52,500	NMTD



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**Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Ms. Monique Jacobson, Cabinet Secretary
State of New Mexico Tourism Department and
Mr. Hector H. Balderas
New Mexico State Auditor

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds, of the State of New Mexico Tourism Department (the Department), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Department's basic financial statements and related budgetary comparisons of the Department, presented as supplemental information, and have issued our report thereon dated December 12, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described as 2014-003 and 2014-004 in the accompanying schedule of findings and responses, which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-001, 2014-002 and 2014-005.

The Department's Responses to Findings

The Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP



Albuquerque, New Mexico
December 12, 2014

**STATE OF NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014**

Section I - Financial Statement Findings

Finding 2014-001 Travel and Per Diem (Compliance and Other Matters)

Condition: During our testing of 22 travel and per diem reimbursements, it was noted that for one of the reimbursements, the employee was paid the incorrect amount (difference of \$30) and actual receipts did not match the total reimbursed.

Criteria: Where lodging and/or meals are provided or paid for by the agency, the governing body, or another entity, the public officer or employee is entitled to reimbursement only for actual expenses under 2.42.2.9 NMAC.

Cause: Management oversight, lack of effective controls and procedures surrounding travel and the related disbursements.

Effect: The Department is out of compliance with 2.42.2.9 NMAC.

Recommendation: We recommend that management ensure all staff involved with travel and per diem reimbursements are familiar with the established procedures to ensure compliance.

Management's Response: Management will ensure staff are well versed with established procedures, to include thorough arithmetic calculations.

Finding 2014-002 SHARE User Access (Compliance and Other Matters)

Condition: During our review of 6 terminated employees' user access to the State's online accounting system, SHARE, it was noted that one employee did not have user access removed in a timely manner.

Criteria: Per internal policy, the System Security Access Form should be submitted to the Department of Information Technology upon termination and, if applicable, remove the employee's system access capabilities.

Cause: Management oversight, lack of effective controls and procedures surrounding user access termination.

Effect: Data integrity may be compromised if user access is not restricted in a timely manner to employees that have been terminated.

Recommendation: We recommend that a specific time period should be implemented in the Department's internal control policy and termination of user access rights to be submitted to the Department of Information Technology no more than two weeks after termination of employment.

Management's Response: Management has implemented new procedures to include SHARE Access Termination or Agency Transfer on the Exit Checklist Form. SHARE User Authorization Access forms will be submitted to NM DoIT upon the last day of employment at NMTD.

STATE OF NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014

Section I - Financial Statement Findings (continued)

Finding 2014-003 Reconciliation of Accounts Receivable and Allowance for Doubtful Accounts (Significant Deficiency)

Condition: During testwork over accounts receivable, it was noted that the amount per the customer account detail did not agree to the general ledger by \$44,611. In addition, the allowance for doubtful accounts required a journal entry to increase the estimate by \$39,027. The net effect on the Financial Statements is \$5,584.

Criteria: Per NMSA 6-5-2.1, the division shall maintain accounts and information as necessary to show the sources of state revenues and the purposes for which expenditures are made and provide proper accounting controls to protect state finances. In addition, per the Manual of Model Accounting Practices 2010 FIN 11.1, all receivables must be properly managed and State agencies must maintain detail accounts receivables ledgers.

Cause: Management oversight, lack of effective controls and procedures surrounding the accounts receivable reconciliation process and estimation of allowance for doubtful accounts.

Effect: Prior to the audit adjustments, net accounts receivable were understated by \$5,584.

Recommendation: We recommend that the Department take steps to ensure that accounts receivable are properly reconciled to the general ledger each month based on the supporting detail of customer accounts. In addition, we recommend the Department estimate the allowance for doubtful accounts consistently based on historical collections.

Management's Response: Management will ensure that accounts receivable and allowance for doubtful accounts will be reconciled to the general ledger month.

Finding 2014-004 Journal Entry Affecting Fund Balance and Budget Overage (Significant Deficiency)

Condition: During review of the fund balance rollforward, it was noted that a journal entry was made during the year to transfer funds to New Mexico Tax and Revenue Department upon the termination of the JPA for the Scenic Byways Fund in the amount of \$25,045. The journal entry was incorrectly posted to the fund balance account, causing the unadjusted fund balance to be \$0 at June 30, 2014. Additionally, the Department had not budgeted for this transaction. An audit adjustment was made to reverse the entry and correctly classify it as a transfer.

Criteria: Per 2.20.5.8 NMAC, it is the responsibility of the chief financial officer to ensure that all transactions are properly classified in the agency's records. Additionally, per State Auditor Rule 2.2.2.10, any actual expenditure that exceeds the budgeted amount in any category must be reported as a finding.

Cause: Management oversight, lack of effective controls and procedures surrounding the journal entry process.

STATE OF NEW MEXICO TOURISM DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2014

Section I - Financial Statement Findings (continued)

Finding 2014-004 Journal Entry Affecting Fund Balance and Budget Overage (Significant Deficiency) (continued)

Effect: Prior to the audit adjustments, license plate revenue was understated by \$800 and other financing uses was understated by \$25,045. Additionally, the Scenic Byways fund's other financing uses exceeded budget by \$25,045.

Recommendation: We recommend that the Department take steps to ensure that all journal entries are recorded to the correct accounts to ensure proper reporting on the financial statements and in accordance with Generally Accepted Accounting Principles. We also recommend that the Department take the appropriate steps to adjust its budget for all transactions, as necessary.

Management's Response: Management will ensure proper reporting and in accordance with Generally Accepted Accounting Principles. The Scenic Byways Program and Fund, 03000, is now administered by NM Department of Transportation.

Finding 2014-005 Payment of Ineligible Advertising Sales Commissions (Compliance and Other Matters)

Condition: During our testing of twelve payments made for Advertising Sales Commissions, it was noted that four included paid customer invoices that were not eligible for commission payments in the amount of \$2,718.

Criteria: Per internal policy, commission payments are to be paid on customer receipts received within the time period outlined in the individual employee contracts.

Cause: Management oversight.

Effect: Over-expenditure of funds in the amount of \$2,718.

Recommendation: We recommend that management review in detail the supporting documentation submitted with the contractor's invoice for sales commission payments and ensure payments are only being made on eligible advertising sales.

Management's Response: Management will thoroughly review supporting document of all payments received and confirm commissions payments are within the eligible period per the Advertising Sales Contract.

STATE OF NEW MEXICO TOURISM DEPARTMENT
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
June 30, 2014

Section I - Financial Statement Findings

**Finding 2011-002 Capital Asset Monitoring and Annual Inventory (Significant Deficiency)
- Resolved**

Condition: The Department is not performing an annual asset observation, and up-to-date capital asset information is not being actively monitored on either a spreadsheet or with software.

Finding 2012-001 Payroll Deduction Authorization Forms (Control Deficiency) - Resolved

Condition: During our evaluation and testing of internal controls over the payroll process, we discovered that two individuals' benefit enrollment forms did not specify a deduction that was being withheld on their paycheck.

Finding 2012-003 Segregation of Duties in the Cash Receipts Process (Control Deficiency) - Resolved

Condition: In one instance out of twenty-two transactions tested in the cash receipts process, a deposit in the amount of \$259.48 was not reviewed by an individual other than the employee processing the deposit in the accounting system.

**STATE OF NEW MEXICO TOURISM DEPARTMENT
EXIT CONFERENCE
June 30, 2014**

An exit conference was held with the Department on December 9, 2014 at the Department's offices in Santa Fe, New Mexico. The conference was held in a closed meeting to preserve the confidentiality of the audit information prior to the official release of the financial statements by the State Auditor. In attendance were:

STATE OF NEW MEXICO TOURISM DEPARTMENT

Monique Jacobson, Cabinet Secretary
Richard Pickering, Director, Administrative Services Division
Isabel Duran, Deputy Director, Administrative Services Division
Lancing Adams, Financial Manager

CLIFTONLARSONALLEN LLP

Georgie Ortiz, CPA, CGFM, Managing Principal
Ryan W. Jones, CPA, Engagement Director
Haley Cox, CPA, Associate
Andres Gamez, CPA, Associate

PREPARATION OF FINANCIAL STATEMENTS

The financial statements presented in this report have been prepared by the independent auditor with the assistance of the Department. However, they are the responsibility of management, as addressed in the Independent Auditors' Report. Management reviewed and approved the financial statements.